
SUBSTITUTE SENATE BILL 5899

State of Washington

60th Legislature

2007 Regular Session

By Senate Committee on Labor, Commerce, Research & Development
(originally sponsored by Senators McAuliffe, Kohl-Welles, Parlette,
Rasmussen, Clements, Holmquist, Murray and Honeyford)

READ FIRST TIME 02/28/07.

1 AN ACT Relating to defining society or organization for alcoholic
2 beverage control purposes; amending RCW 66.24.375; and reenacting and
3 amending RCW 66.28.010.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 66.24.375 and 1997 c 321 s 61 are each amended to read
6 as follows:

7 "Society or organization" as used in RCW 66.24.380 means a not-for-
8 profit group organized and operated (1) solely for charitable,
9 religious, social, political, educational, civic, fraternal, athletic,
10 or benevolent purposes, or (2) as a local wine industry association
11 registered under section 501(c)(6) of the internal revenue code as it
12 exists on the effective date of this section. No portion of the
13 profits from events sponsored by a not-for-profit group may be paid
14 directly or indirectly to members, officers, directors, or trustees
15 except for services performed for the organization. Any compensation
16 paid to its officers and executives must be only for actual services
17 and at levels comparable to the compensation for like positions within
18 the state. A society or organization which is registered with the

1 secretary of state or the federal internal revenue service as a
2 nonprofit organization ((may)) shall submit such registration, upon
3 request, as proof that it is a not-for-profit group.

4 **Sec. 2.** RCW 66.28.010 and 2006 c 330 s 28, 2006 c 92 s 1, and 2006
5 c 43 s 1 are each reenacted and amended to read as follows:

6 (1)(a) No manufacturer, importer, distributor, or authorized
7 representative, or person financially interested, directly or
8 indirectly, in such business; whether resident or nonresident, shall
9 have any financial interest, direct or indirect, in any licensed retail
10 business, unless the retail business is owned by a corporation in which
11 a manufacturer or importer has no direct stock ownership and there are
12 no interlocking officers and directors, the retail license is held by
13 a corporation that is not owned directly or indirectly by a
14 manufacturer or importer, the sales of liquor are incidental to the
15 primary activity of operating the property as a hotel, alcoholic
16 beverages produced by the manufacturer or importer or their
17 subsidiaries are not sold at the licensed premises, and the board
18 reviews the ownership and proposed method of operation of all involved
19 entities and determines that there will not be an unacceptable level of
20 control or undue influence over the operation or the retail licensee;
21 nor shall any manufacturer, importer, distributor, or authorized
22 representative own any of the property upon which such licensed persons
23 conduct their business; nor shall any such licensed person, under any
24 arrangement whatsoever, conduct his or her business upon property in
25 which any manufacturer, importer, distributor, or authorized
26 representative has any interest unless title to that property is owned
27 by a corporation in which a manufacturer has no direct stock ownership
28 and there are no interlocking officers or directors, the retail license
29 is held by a corporation that is not owned directly or indirectly by
30 the manufacturer, the sales of liquor are incidental to the primary
31 activity of operating the property either as a hotel or as an
32 amphitheater offering live musical and similar live entertainment
33 activities to the public, alcoholic beverages produced by the
34 manufacturer or any of its subsidiaries are not sold at the licensed
35 premises, and the board reviews the ownership and proposed method of
36 operation of all involved entities and determines that there will not
37 be an unacceptable level of control or undue influence over the

1 operation of the retail licensee. Except as provided in subsection (3)
2 of this section, no manufacturer, importer, distributor, or authorized
3 representative shall advance moneys or moneys' worth to a licensed
4 person under an arrangement, nor shall such licensed person receive,
5 under an arrangement, an advance of moneys or moneys' worth. "Person"
6 as used in this section only shall not include those state or federally
7 chartered banks, state or federally chartered savings and loan
8 associations, state or federally chartered mutual savings banks, or
9 institutional investors which are not controlled directly or indirectly
10 by a manufacturer, importer, distributor, or authorized representative
11 as long as the bank, savings and loan association, or institutional
12 investor does not influence or attempt to influence the purchasing
13 practices of the retailer with respect to alcoholic beverages. Except
14 as otherwise provided in this section, no manufacturer, importer,
15 distributor, or authorized representative shall be eligible to receive
16 or hold a retail license under this title, nor shall such manufacturer,
17 importer, distributor, or authorized representative sell at retail any
18 liquor as herein defined. A corporation granted an exemption under
19 this subsection may use debt instruments issued in connection with
20 financing construction or operations of its facilities.

21 (b) Nothing in this section shall prohibit a licensed domestic
22 brewery or microbrewery from being licensed as a retailer pursuant to
23 chapter 66.24 RCW for the purpose of selling beer or wine at retail on
24 the brewery premises and nothing in this section shall prohibit a
25 domestic winery from being licensed as a retailer pursuant to chapter
26 66.24 RCW for the purpose of selling beer or wine at retail on the
27 winery premises. Such beer and wine so sold at retail shall be subject
28 to the taxes imposed by RCW 66.24.290 and 66.24.210 and to reporting
29 and bonding requirements as prescribed by regulations adopted by the
30 board pursuant to chapter 34.05 RCW, and beer and wine that is not
31 produced by the brewery or winery shall be purchased from a licensed
32 beer or wine distributor.

33 (c) Nothing in this section shall prohibit a licensed distiller,
34 domestic brewery, microbrewery, domestic winery, or a lessee of a
35 licensed domestic brewer, microbrewery, or domestic winery, from being
36 licensed as a spirits, beer, and wine restaurant pursuant to chapter
37 66.24 RCW for the purpose of selling liquor at a spirits, beer, and
38 wine restaurant premises on the property on which the primary

1 manufacturing facility of the licensed distiller, domestic brewer,
2 microbrewery, or domestic winery is located or on contiguous property
3 owned or leased by the licensed distiller, domestic brewer,
4 microbrewery, or domestic winery as prescribed by rules adopted by the
5 board pursuant to chapter 34.05 RCW.

6 (d) Nothing in this section prohibits retail licensees with a
7 caterer's endorsement issued under RCW 66.24.320 or 66.24.420 from
8 operating on a domestic winery premises.

9 (e) Nothing in this section prohibits an organization qualifying
10 under RCW 66.24.375 formed for the purpose of constructing and
11 operating a facility to promote Washington wines from holding retail
12 licenses on the facility property or leasing all or any portion of such
13 facility property to a retail licensee on the facility property if the
14 members of the board of directors or officers of the board for the
15 organization include officers, directors, owners, or employees of a
16 licensed domestic winery. Financing for the construction of the
17 facility must include both public and private money.

18 (f) Nothing in this section prohibits a bona fide charitable
19 nonprofit society or association registered (~~as a~~) under section
20 501(c)(3) ((under)) of the internal revenue code, or a local wine
21 industry association registered under section 501(c)(6) of the internal
22 revenue code as it exists on the effective date of this section, and
23 having an officer, director, owner, or employee of a licensed domestic
24 winery or a wine certificate of approval holder on its board of
25 directors from holding a special occasion license under RCW 66.24.380.

26 (g) Nothing in this section prohibits domestic wineries and
27 retailers licensed under chapter 66.24 RCW from jointly producing
28 brochures and materials promoting tourism in Washington state which
29 contain information regarding retail licensees, domestic wineries, and
30 their products.

31 (h) Nothing in this section prohibits domestic wineries and retail
32 licensees from identifying the wineries on private labels authorized
33 under RCW 66.24.400, 66.24.425, and 66.24.450.

34 (i) Until July 1, 2007, nothing in this section prohibits a
35 nonprofit statewide organization of microbreweries formed for the
36 purpose of promoting Washington's craft beer industry as a trade
37 association registered as a 501(c) with the internal revenue service

1 from holding a special occasion license to conduct up to six beer
2 festivals.

3 (2) Financial interest, direct or indirect, as used in this
4 section, shall include any interest, whether by stock ownership,
5 mortgage, lien, or through interlocking directors, or otherwise.
6 Pursuant to rules promulgated by the board in accordance with chapter
7 34.05 RCW manufacturers, distributors, and importers may perform, and
8 retailers may accept the service of building, rotating and restocking
9 case displays and stock room inventories; rotating and rearranging can
10 and bottle displays of their own products; provide point of sale
11 material and brand signs; price case goods of their own brands; and
12 perform such similar normal business services as the board may by
13 regulation prescribe.

14 (3)(a) This section does not prohibit a manufacturer, importer, or
15 distributor from providing services to a special occasion licensee for:
16 (i) Installation of draft beer dispensing equipment or advertising,
17 (ii) advertising, pouring, or dispensing of beer or wine at a beer or
18 wine tasting exhibition or judging event, or (iii) a special occasion
19 licensee from receiving any such services as may be provided by a
20 manufacturer, importer, or distributor. Nothing in this section shall
21 prohibit a retail licensee, or any person financially interested,
22 directly or indirectly, in such a retail licensee from having a
23 financial interest, direct or indirect, in a business which provides,
24 for a compensation commensurate in value to the services provided,
25 bottling, canning or other services to a manufacturer, so long as the
26 retail licensee or person interested therein has no direct financial
27 interest in or control of said manufacturer.

28 (b) A person holding contractual rights to payment from selling a
29 liquor distributor's business and transferring the license shall not be
30 deemed to have a financial interest under this section if the person
31 (i) lacks any ownership in or control of the distributor, (ii) is not
32 employed by the distributor, and (iii) does not influence or attempt to
33 influence liquor purchases by retail liquor licensees from the
34 distributor.

35 (c) The board shall adopt such rules as are deemed necessary to
36 carry out the purposes and provisions of subsection (3)(a) of this
37 section in accordance with the administrative procedure act, chapter
38 34.05 RCW.

1 (4) A license issued under RCW 66.24.395 does not constitute a
2 retail license for the purposes of this section.

3 (5) A public house license issued under RCW 66.24.580 does not
4 violate the provisions of this section as to a retailer having an
5 interest directly or indirectly in a liquor-licensed manufacturer.

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